

**Your Money.**  
You Earned It.



**Now  
Claim It!**

# Promoting the Earned Income Tax Credit And Child Tax Credit

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Presented by: City of Arlington & United Way Arlington

Sponsoring Organization: Center for Budget and Policy Priorities

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# What are the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC)?

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- ▣ Federal tax benefits for low-income working families and individuals

## Purpose:

- Offset income and payroll taxes
- Supplement wages
- Provide a work incentive

## Key Features:

- Reduces taxes workers may owe
- Even if workers don't owe taxes, they may be eligible
- Some families can claim both credits



# How do Workers Use the Credits?



**Child Care**



**Rent & Utilities**



**Transportation**



**Auto Repairs**



**Basic Needs**



**Medical Expenses**

**The credits help workers keep working and care for themselves and their children.**



# Why is Outreach Needed?

## *EITC Eligible Workers*



75 – 80% Claim  
EITC

20 - 25% Do Not  
Claim EITC



# Why is Outreach Needed?

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Over **\$10 billion** in EITC refunds may have gone unclaimed in 2009

**Efforts are needed to ensure eligible workers know how to claim the EITC and other tax credits.**



# Impact of EITC

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## ***The Earned Income Tax Credit (EITC) Boosts Workers' Income***

- As much as a 45% pay increase
- \$8/hour job → \$10+/hour job

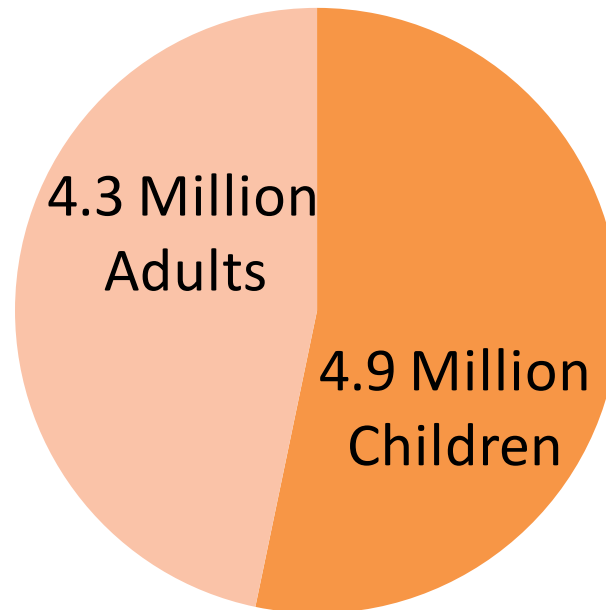


# Impact of EITC and CTC

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***The EITC & CTC Lift More than 9 Million Above the Poverty Line***

**2010**



# How Much Can Workers Earn and Still Qualify for the EITC?

***For Tax Year 2012:***

<b>Number of children:</b>	<b>Income less than:</b>	<b>EITC up to:</b>
3 or more children	\$45,060	\$5,891
2 children	\$41,952	\$5,236
1 child	\$36,920	\$3,169
No children	\$13,980	\$475

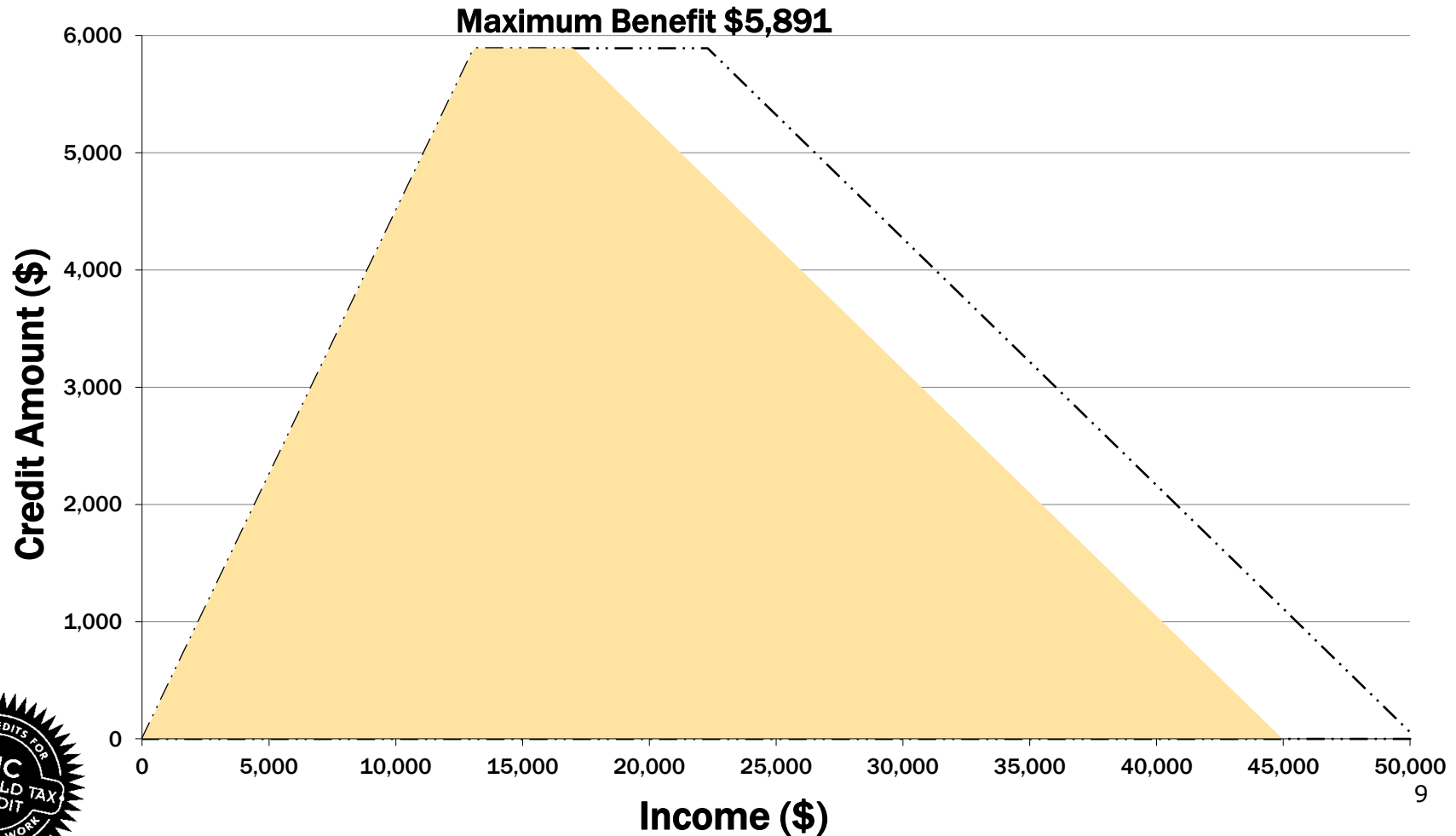
- Income limits for married workers are \$5,210 higher than these amounts.
- Workers not raising children must be between the ages of 25 and 64.
- Investment income cannot exceed \$3,200.



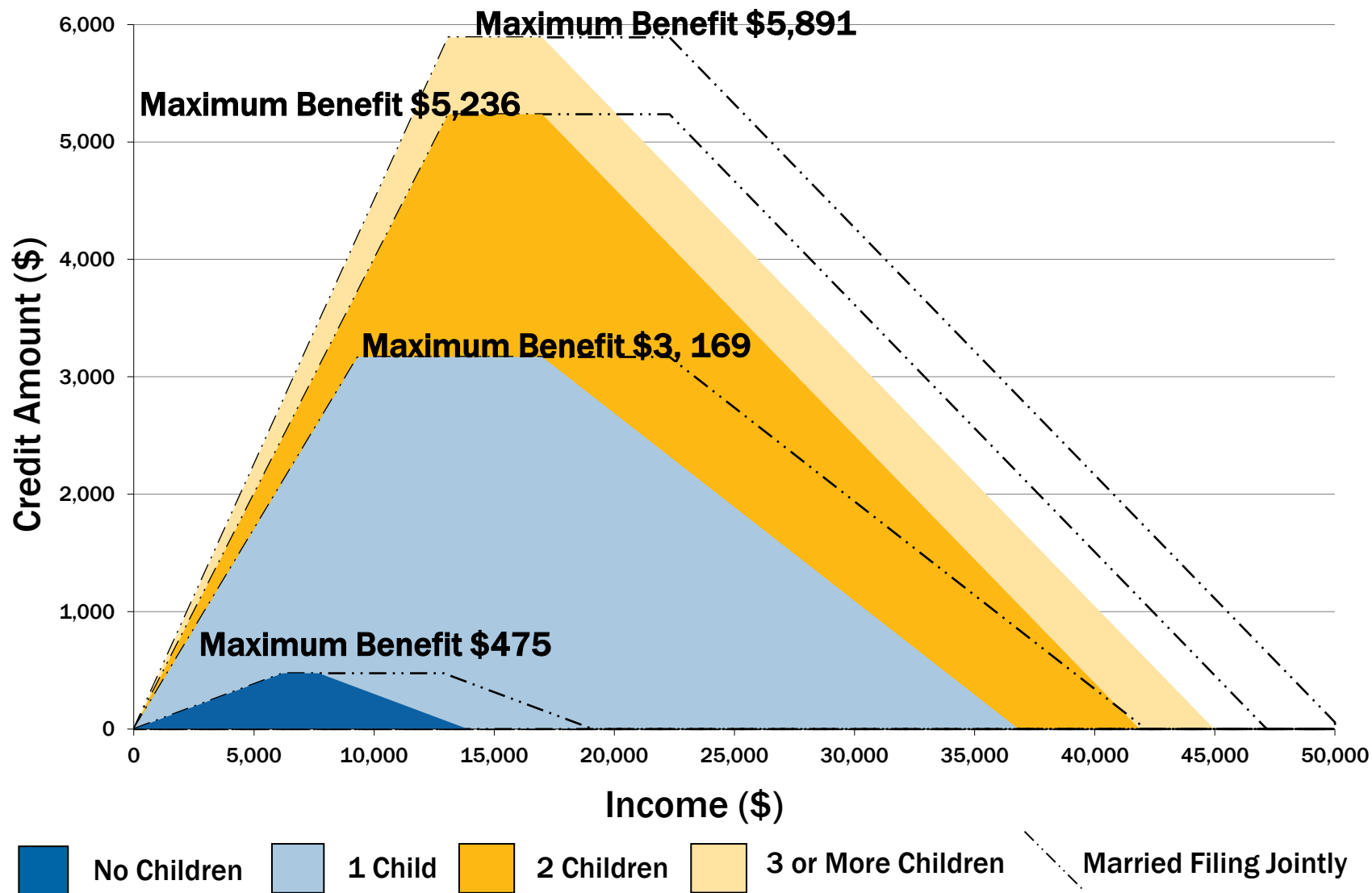


# The Federal EITC in Tax Year 2012

## Workers with 3 or More Children



# The Federal EITC in Tax Year 2012



# EITC Benefits for Tax Year 2012

## at Various Income Levels

<b>2012 household income</b>	<b>EITC for single workers not raising a child</b>	<b>EITC for single workers raising one child</b>	<b>EITC for single workers raising two children</b>	<b>EITC for single workers raising three or more children</b>
\$ 5,000	\$383	\$1,700	\$2,000	\$2,250
\$ 8,000	\$457	\$2,720	\$3,200	\$3,600
\$10,000	\$304	\$3,169	\$4,000	\$4,500
\$12,000	\$151	\$3,169	\$4,800	\$5,400
\$14,000	\$0	\$3,169	\$5,236	\$5,891
\$16,000	\$0	\$3,169	\$5,236	\$5,891
\$20,000	\$0	\$2,704	\$4,623	\$5,278

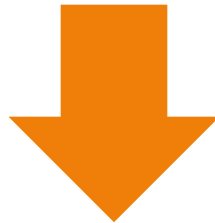


# EITC Impact on Annual Wages

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## Single worker raising one child:

- \$8.00/ hour job + EITC = \$10/hour job



- Annually:

$$\text{\$16,000} + \text{EITC} = \text{\$19,169}$$



# How Does the CTC Work?

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1. Reduces or eliminates any income tax owed.
2. Workers may get any remaining CTC as an additional refund also referred to as the Additional Child Tax Credit (ACTC).



# How Much Can Workers Earn and Qualify for the CTC?

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**Workers who earned *more than* \$3,000 in 2012 can get a CTC refund.**

Income less than:	Filing status:
\$110,000	Married
\$75,000	Single or Head of Household
\$55,000	Married filing separately

The CTC is worth *up to* \$1,000 for each qualifying child.



# What Counts as Earned Income?

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## Includes:

- ❑ Wages, salaries, and tips
- ❑ Net earnings from self-employment
- ❑ Union strike benefits
- ❑ Employer-paid disability benefits
- ❑ Military combat pay

## Doesn't Include:

- ❑ Non-taxable earned income
  - Payroll deductions for dependent care or retirement plans
- ❑ Public benefits
  - Social security, SSI, welfare
- ❑ Other income, such as:
  - Unemployment
  - Alimony and child support
  - Interest on bank accounts
  - Investment income



# Most Tax Credits are “Non-refundable”

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They simply reduce or eliminate the income tax you owe.

*For Example:*

Non-refundable Tax Credit

Income Taxes Owed

Remaining Tax Credit

$$\text{\$1,000} - \text{\$400} = \text{\$600}$$





# How is a “Refundable” Credit Worth More?

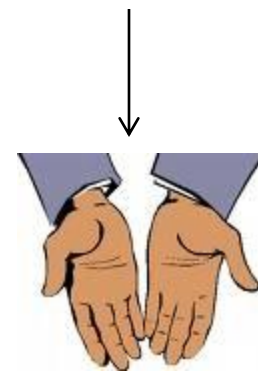
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Refundable Tax Credit

Income Taxes Owed

Remaining Tax Credit

$$\text{\$1,000} - \text{\$400} = \text{\$600}$$



# Meet Maxine

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Maxine is a single mom raising a 6-year old son.



- ❑ She earns \$19,000 this year.
- ❑ \$270 in income tax has been withheld.
- ❑ Her total tax refund is \$3,864!

***How is this possible?***



# Maxine's Tax Refund

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**EITC**

**\$ 2,864**

**CTC**

**+ \$ 1,000**

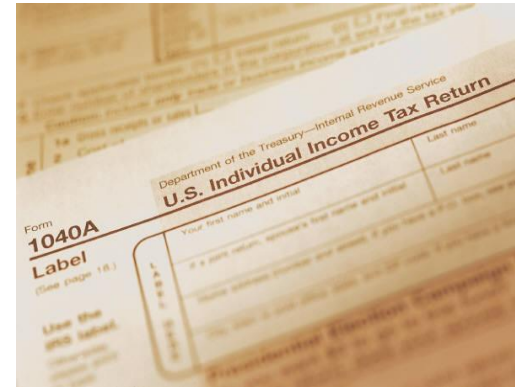
**Total Tax Benefit**

**\$ 3,864**



# How Do You Claim the Credits?

- You ***must*** file a tax return!
  - Form 1040 or Form 1040A – not 1040EZ
  - EITC - Schedule EITC
  - CTC - Form 8812 – for CTC
- Workers not raising children can file any form
- Eligible workers can claim EITC and CTC refunds for up to 3 previous years



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# ***EITC and CTC Rules — What are the Differences?***



# Who Qualifies for the EITC and CTC?

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- Workers who are:
  - Working full-time, part-time or self-employed
  - Also receiving public benefits
  - Single or married
  - Raising a “qualifying child”
    - Some very low-income workers without a “qualifying child” may be able to claim the EITC
  - Immigrants legally authorized to work

## **CTC ONLY:**

- Immigrant workers with Individual Taxpayer Identification Numbers (ITINs)
- Some non-custodial parents



# Types of Families Who Claim the EITC & CTC

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- ❑ Married and unmarried parents
  - Step-parents
- ❑ Grandparents, great-grandparents
  - Grandparent with child and grandchild
- ❑ Aunt or uncle
- ❑ Older brother or sister
  - Step-brother or step-sister
  - Half-brother or half-sister
- ❑ Foster and adoptive parents



# Definition of a “Qualifying Child”

	EITC	CTC
Relationship	Son, daughter, grandchild, stepchild, adopted child, brother, sister, stepbrother, stepsister (or their descendants) or foster child <i>placed by a government or private agency</i>	
Residence	Must live with worker in the U.S. for more than half the year	
Age	Under 19 or 24 if full-time student or any age if totally and permanently disabled	Under 17

- If you are a qualifying child, you cannot claim the EITC yourself.
- If a child is claimed for both the EITC and CTC, the same worker must claim both credits.





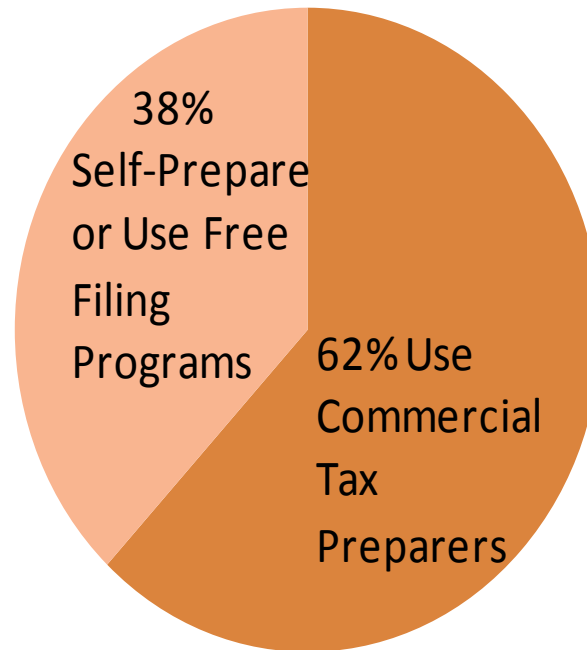
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# ***Filing for Free***



# The High Cost of Commercial Tax Preparation

- ❑ When it's time to file a tax return, many workers seek help from a commercial tax preparer.



## EITC Claimants

- Average fees range from \$85 - \$120 for e-filing.



# What are RALs & RACs?

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## *Refund Anticipation Loans (RALs)*

- ▣ Very high-interest loans
  - Interest rate can be > 180 percent; processing fee can be \$80 or more
- ▣ **No guarantee refund will equal the loan amount**

## *Refund Anticipation Checks (RACs)*

- ▣ Replacing usage of RALs
  - Temporary bank account established to receive refund and issue as a check
- ▣ **No faster than direct deposit**



# Are There Alternatives to RALs and Commercial Tax Preparation?

## *Volunteer Income Tax Assistance (VITA)*

- ❑ Free tax filing help for low-income workers at community sites. **IRS Toll-free Locator: 1-800-906-9887**

- In many communities across the country
- Volunteers are trained under IRS guidance
- Taxpayers can receive refund in 7-12 days through e-filing
- VITA and TCE sites are listed at [www.irs.gov](http://www.irs.gov) (key word search "site list")



# Free Tax Assistance in Arlington

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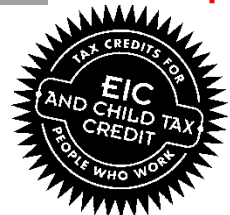
## *Volunteer Income Tax Assistance (VITA)*

❑ Free tax filing is available for low-income workers at the following Arlington sites:\*

- Hugh Smith Recreation Center
- Family Guide (Matlock and I-20)
- Tarrant County College SE Campus
- New: Catholic Charities' Arlington Office at 917 W. Sanford
- AARP Foundation Tax-Aide at all 7 Arlington Library locations focused on serving those 60 and older



**\*Call 211 for the most current list of VITA sites.**



# What is Needed to Improve VITA?

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- ❑ Recruit community volunteers to be trained by IRS
- ❑ Enlist community groups to host additional and more accessible sites
- ❑ Increase sites offering assistance in languages other than English
- ❑ Establish more sites that can provide e-filing (IRS will provide software!)



# Split Refunds

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- ❑ Tax filers can use direct-deposit to split their refund into checking, savings, an IRA or purchase a savings bond.
- ❑ File Form 8888 with the tax return
- ❑ Outreach info and materials:  
[www.splitrefunds.net](http://www.splitrefunds.net)  
[www.bondsmakeiteasy.org/communitypartners](http://www.bondsmakeiteasy.org/communitypartners)



# Tax Refunds and Income-Building Opportunities

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- **Promote the EITC and CTC with asset development programs:**
  - Bank Accounts
  - Individual Development Accounts (IDAs)
  - Car Ownership Programs
  - Homeownership Programs
  - Educational Programs
  
- **Connect taxpayers to financial resources:**
  - Financial Education Classes
  - Credit Reports and Credit Repair





# Do the EITC & CTC Count as Income for Other Public Benefits?

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- Current rules enacted by Congress in Dec. 2010:
  - No federal tax refund counts as income for any program with federal funding
  - Refunds that are saved do not count against resource limits for 12 months after the refund is received



# Who Might Miss Out on the EITC and CTC

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- ❑ Workers not required to file returns

In 2012:

- \$19,500 for a married couple
- \$12,500 for head of household
- \$9,700 for a single filer

- ❑ Workers just entering labor force

- ❑ New parents

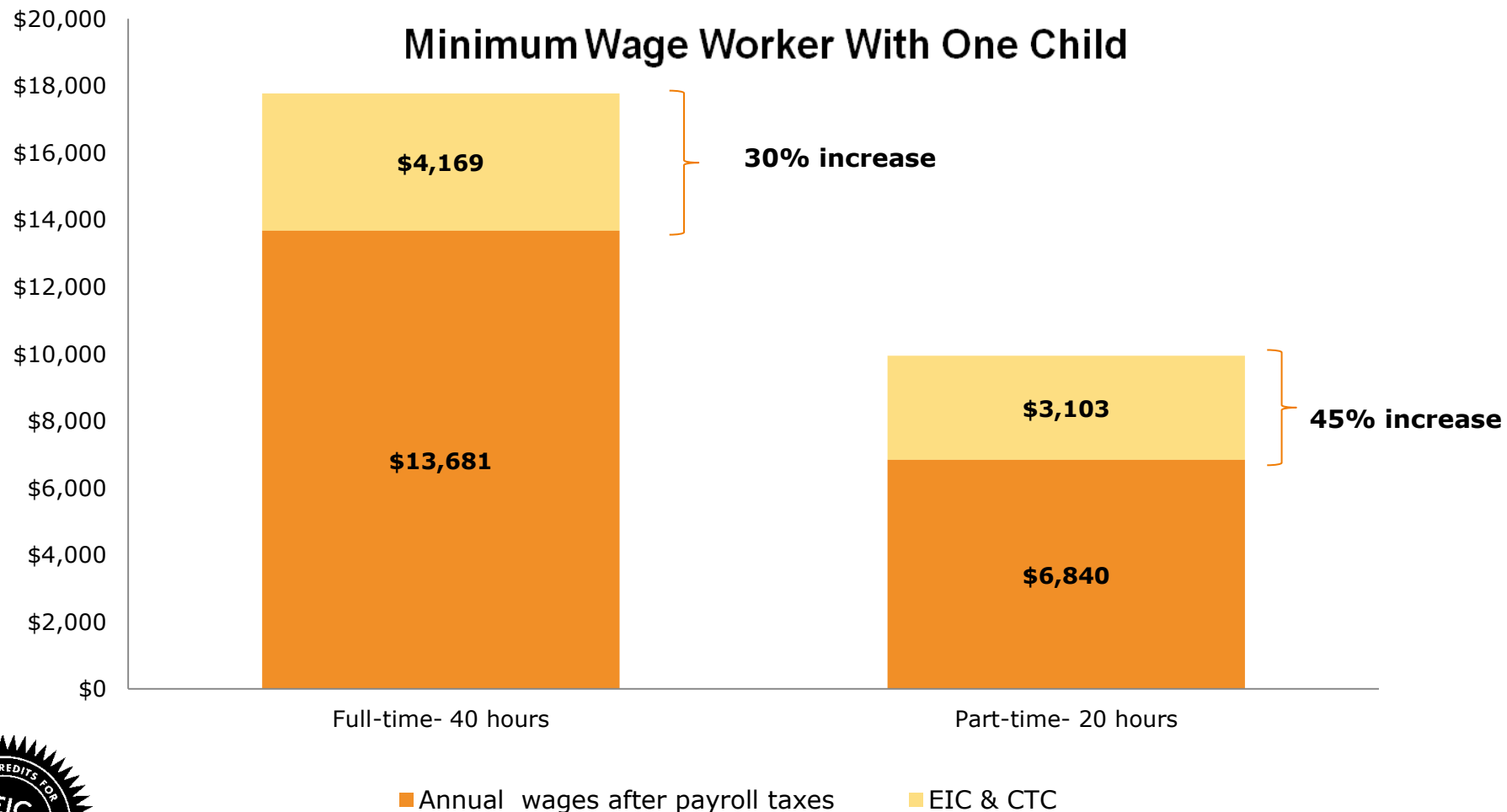
- Foster, adoptive

- ❑ Divorced or separated custodial parents

- ❑ Workers newly eligible due to a reduction in income or loss of employment



# Tax Credits: Making a Difference



# Everyone Can Help Promote the Tax Credits

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- You do NOT have to be a tax expert to help families claim their credits.
- Incorporate outreach activities into your routine work – and encourage your partners to do the same.



# Promoting the Credits

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## *Inform families*

- Alert families about the EITC and CTC and provide the basic information they need:
  - Eligibility information
  - How to find tax forms
  - VITA site locations
  - Help getting an SSN or ITIN



# Promoting the Credits

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*Build partnerships to connect with eligible workers:*

- ❑ Nonprofit health and human services providers
- ❑ Community organizations and institutions
- ❑ Faith-based groups
- ❑ Civic/service organizations
- ❑ State and local government agencies (especially public benefit programs)
- ❑ Workforce Development programs
- ❑ Employers and local businesses
- ❑ Media
- ❑ IRS



# Tax Credit Outreach Coalitions

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- ❑ Promote the EITC and CTC and provide free tax preparation services.
- ❑ Represent a partnership of a variety of organizations — social service agencies, financial institutions, government agencies, faith-based organizations and the IRS.
- ❑ Join our coalition:
  - **Arlington Financial Stability Partnership**  
Contact Cynthia Jensen, United Way Arlington  
[Cynthia.Jensen@unitedwaytarrant.org](mailto:Cynthia.Jensen@unitedwaytarrant.org)



# Arlington EITC Data\*

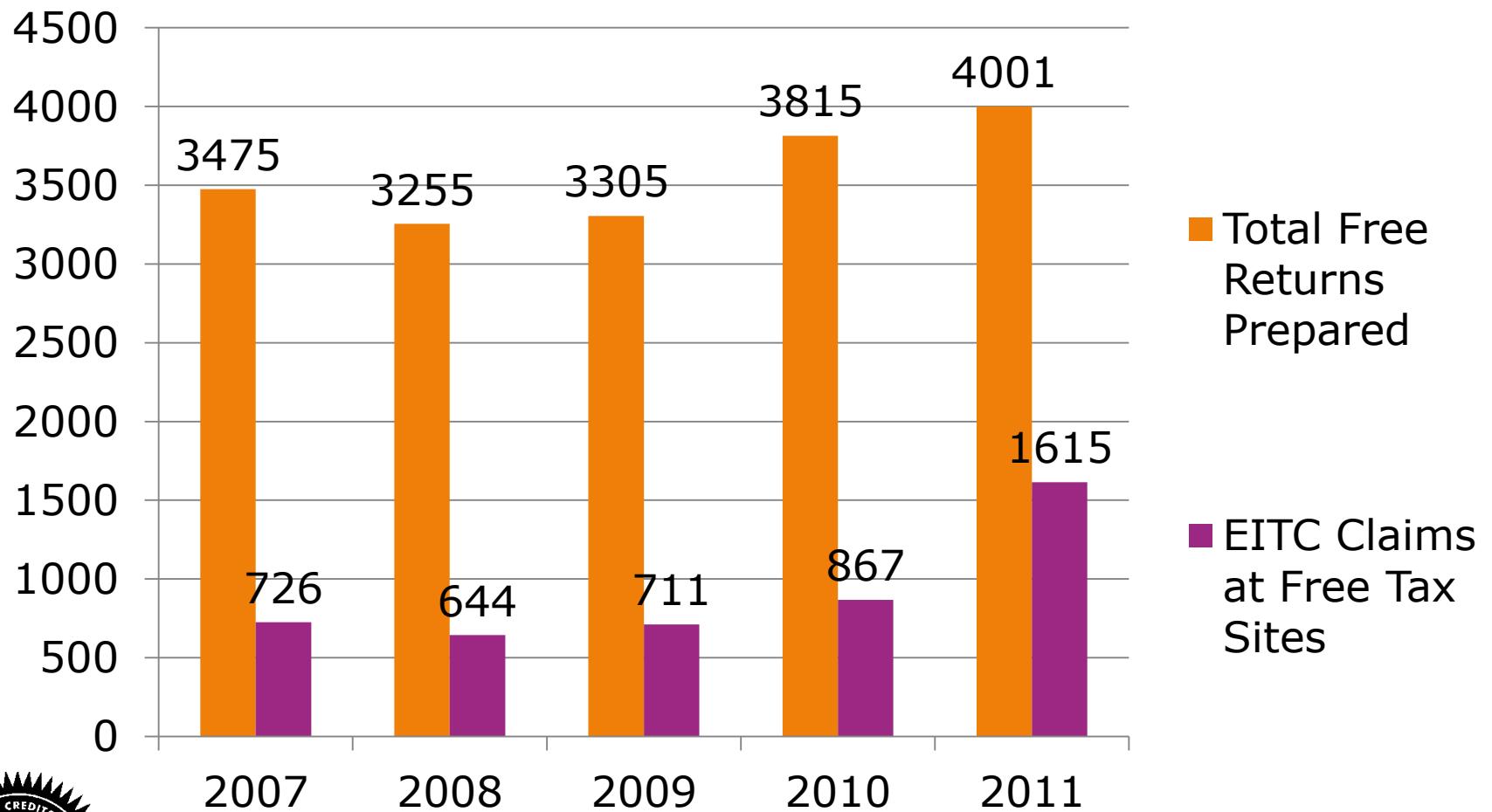
	Arlington
Tax Returns Filed	152,448
Returns Claiming EITC	38,359
% of Returns with EITC	25%
Average EITC Refund	\$2,463
Total EITC Dollars	\$94,464,373
EITC Returns using Paid Preparers	23,757
% EITC Returns using Paid Preparers	62%
Average cost of Paid Preparer	\$200
Potential Cost Savings for EITC Recipients	\$4,751,400

\*Data Source: Tax Year 2010 (see handout for Texas and US comparison)





# Arlington EITC Outreach Results



# Spectrum of Outreach Approaches

## Building a Tax Credit Outreach Campaign

**Distribute tax credit info and direct workers to free tax filing sites**

**Conduct outreach events and create opportunities to file returns**

**Get in position to enrich and sustain outreach efforts in the future**



**Engage others in reaching out through their own networks**

**Expand and improve free tax filing sites**



# *The Center on Budget and Policy Priorities'* National Tax Credit Outreach Campaign Can:

- ❑ Provide Tax Credit Outreach Kits
- ❑ Connect you to online resources:
  - EITC/CTC flyers in 21 languages
  - EITC Estimator
  - Searchable Outreach Strategies Database
  - Sample Press Release
  - EITC & CTC FAQs and much more!

**[www.eitcoutreach.org](http://www.eitcoutreach.org)**



# Next Steps:

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- ❑ Financial Stability Partnership meets October-January to plan outreach activities
- ❑ EITC Community Workshop: November 30, 2012 to promote EITC and free tax preparation for working families
- ❑ VITA Sites in Arlington will open in January 2012
- ❑ For more information see:

[www.arlingtontx.gov/eitc/index.html](http://www.arlingtontx.gov/eitc/index.html)

[www.unitedwaytarrant.org/our-work/income/earn-well](http://www.unitedwaytarrant.org/our-work/income/earn-well)

